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PUBLIC SERVICE  
COMMISSION

**ELAM UTILITY COMPANY  
459 MAIN STREET  
WEST LIBERTY, KENTUCKY 41472  
PHONE 606-743-3695  
FAX 606-743-2292**

September 10, 2004

Public Service Commission  
P. O. Box 615  
Frankfort, Kentucky 40602-0615

Dear Sir:

In regard to your letter dated August 27, 2004 concerning Case Number  
✓2003-00171 and 2003-00488, please find an explanation of the items of  
concern as follows:

1. The utility did not remit school tax collections for April, May and June.  
These payments were not made due to a clerical oversight, but they  
Have been paid by check numbers 23765 and 23764.
2. The utility did not make payment on its debt to the Department for Local  
Government in January thru June.  
We got a letter from the Kentucky Infrastructure Authority (KIA) and  
will be requesting a meeting with them concerning the payment  
schedules. At this time our rates are not sufficient enough to cover  
\$43,000 in payments per year.
3. The company loaned me \$3,500 in January. The company loaned  
this money before we had the meeting with the PSC and before the  
settlement agreement was reached. There hasn't been any similar  
transactions since the settlement agreement.
4. I have received three extra paychecks in April for additional net pay of  
\$2,360.00.
5. I have received two extra paychecks in May for additional net pay of  
\$1,560.00.
6. I have received three extra paychecks in June for additional net pay of  
\$2,460.00.

I have been with Elam Utility for 26 years. At the time I took over as  
owner the company owed me 30 weeks (150 days) of vacation, plus I  
get 4 weeks vacation per year less the time I take off. As of the first of  
September, the company owed me 215 days. As far as I know this is  
not in violation since the vacation time pay or time off is acceptable in  
any company. At this time, the company owes me \$51,600.00.

7. It appears the company is approximately \$30,000 in arrears to its main gas supplier, Cumberland Valley Resources.

Kenny Graham was here at the office last week. There has been a question concerning the amount of gas he has been charging for and the amount delivered by Columbia Gas. He is working on a corrected bill. My figures show that he owes the company \$8800.00. Also the April bill was wrong and has been corrected, but the overcharge was from January through August. As soon as the correct figures are agreed upon; I will make sure that bill is paid. If the overcharge is the amount I mentioned, the only bill past due is the April bill that had to be revised due to an overcharge. Mr. Graham is well aware of the problem and understands that there will be a settlement as soon as the amount is agreed upon.

Elam has tried to stay current in everything that was in question with the Public Service Commission. We have hired Harrod and Associates to file the GCR filings every quarter. We are sending copies of the bank statements and general ledger by the 30<sup>th</sup> of each month. We feel sure that we have done as agreed by the terms of the settlement agreement and that these terms have not been violated.

Should you have any questions, please contact me at the number listed above.

Sincerely,

A handwritten signature in cursive script, reading "Wilma B. Ison".

Wilma B. Ison  
President